



APPROPRIATIONS UPDATE

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SENATE LABOR, HHS, EDUCATION APPROPRIATIONS BILL: EXCEEDING THE SENATE'S OWN LIMITS

INTRODUCTION

The Senate Appropriation Subcommittee on Labor, Health and Human Services, and Education reported its fiscal year 2003 spending bill on 22 July 2002. The bill has not yet been scheduled for floor debate. The Congressional Budget Office [CBO] estimates that the bill provides \$134.432 billion in budget authority [BA] and \$126.346 billion in outlays for fiscal year 2003.

On the surface, the Senate bill exceeds the levels proposed by the President by “only” \$3.543 billion in BA and \$1.661

billion in outlays (see Table 1 below). After properly accounting for the gimmicks used to boost funding above the \$768.089 billion in total 2003 discretionary BA Senate leaders have publicly embraced, the bill exceeds the President’s request by \$5.787 billion in BA and \$3.224 billion in outlays – or 63 percent more in BA than advertised (see Table 2, page 3). When combined with other reported bills, this would result in a discretionary spending increase that is \$14.840 billion larger than the President’s – far more than the \$9-billion difference leading Democrats typically claim.

Table 1: Labor, Health and Human Services and Education Appropriations Bill
(fiscal years; millions of dollars)

Department	2001 BA	2002 BA	Bush 2003 BA	Bush 2003 OL	Senate 2003 BA	Senate 2003 OL	Diff. Senate- Bush BA	Diff. Senate- Bush OL
HHS	50,378	58,005	60,547	55,918	62,819	57,286	2,272	1,368
Education	40,103	49,490	50,312	48,438	50,920	48,682	608	244
Labor	11,958	12,188	11,731	12,067	12,370	12,087	639	20
SSA	6,030	6,357	6,686	6,679	6,685	6,679	-1	0
Other	1,498	1,525	1,613	1,583	1,638	1,612	25	29
Total	109,967	127,565	130,889	124,685	134,432	126,346	3,543	1,661

On a programmatic basis, the bill provides \$136.691 billion in BA and \$127.924 billion in outlays, exceeding fiscal year 2002 amounts by \$8.711 billion in budget authority and \$18.865 billion in outlays. Year-over-year outlays increase

much more rapidly than budget authority as a result of massive increases in BA in recent years. Outlays are expected to flow strongly from those spending increases in the coming fiscal year.

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READER'S NOTE

Although *Appropriations Update* typically focuses on House appropriations bills and conference reports, the importance of Labor-HHS appropriations this year warrant an early review of the Senate's committee-reported bill.

This document was prepared by the majority staff of the House Committee on the Budget. It has not been approved by the full committee and therefore may not reflect the views of all the committee's members.

If this measure is enacted at the Senate-proposed level, new spending provided by this bill would have increased by 15.6 percent a year in each of the past 3 years. On a year-over-year basis, the Senate advocates an increase of 5.4 percent for fiscal year 2002, more than twice the rate of inflation,

and more than double the 2.6-percent increase requested by the President. Table 1 on the preceding page shows the levels of spending enacted in fiscal year 2002, and proposed by the President and the Senate for fiscal year 2003, as scored by the CBO.

THE SENATE'S GIMMICKS

The Labor-HHS bill reported by the Senate Appropriations Committee employs two frequently used gimmicks to circumvent fiscal responsibility. Chief among them is the increased use of advance appropriations, which are not counted as spending in the forthcoming budget year. The second is designating certain anticipated spending as an “emergency” requirement, which is not counted as part of the appropriators’ spending limits. It is worth noting that the House budget resolution (H.Con.Res. 353) prohibits the increased use of advance appropriations. If the Senate had passed a budget resolution and concluded conference negotiations with the House, it is possible that this gimmick would not be available to Senate appropriators.

Advance Appropriations

Advance appropriations consist of budget authority provided in an appropriations act for a particular fiscal year that does not become available for spending or obligation until a subsequent fiscal year. For example, last year’s appropriations bill for fiscal year 2002 included funds that could not be spent until 1 October 2002, the start of fiscal year 2003. The amount of the advance appropriation is counted as part of the budget for the fiscal year in which it becomes available.

Although proponents argue that advance appropriations are needed “to fit the reality of the school year in America,” in fact these advances are used largely to exceed spending limits. Their use mushroomed between fiscal year 1998 and fiscal year 2000, as the discretionary caps agreed to as part of the Balanced Budget Act of 1997 began to force spending restraint.

In response, budget resolutions for fiscal years 2001 and 2002 limited advance appropriations for all 13 appropriations bills to roughly the amount enacted for 2001, and provided for points of order against consideration of bills that would breach the limit. The House budget resolution for fiscal year 2003 continues that policy. But the Senate, having failed to pass a budget resolution, has no constraints.

The Senate Labor-HHS bill provides room for additional spending in accounts favored for Member projects by reducing the President’s requested increase for special and disadvantaged education programs, and then making up for the reductions with increased advance appropriations. These advances total \$21.498 billion, \$2.244 billion more than the President’s request for programs in this bill. Increasing advance appropriations commits the Government to future spending increases – without holding the Appropriations Committee responsible for that increase at the time the spending decision is made. The additional advance appropriations increase spending in this bill to \$136.691 billion, \$5.787 billion more than the President’s proposed level of \$130.904 billion (see Table 2, next page).

Misused Emergency Designation

Under the budget rules in effect for fiscal year 2002, which ends on 30 September, the Congress is able to designate as an emergency requirement virtually any spending item it desires. By common agreement, however, emergency-designated spending is appropriately used for spending needs that are sudden and unforeseen, and are expected to be temporary in nature. The Senate-reported bill includes \$300 million in contingent emergency funds for the Low Income Home Energy Assistance Program [LIHEAP]. This is in addition to \$1.7 billion in regular LIHEAP appropriations. The Senate misuses the emergency designation in this instance by arguing that money will be used for a contingency fund provided in the authorizing statute (see S.Rept. 107-216, pp. 178-179) – when the Senate intends to provide the funds every year, like regular annual appropriations. In fact, the President reserves \$300 million of his request for the contingency fund. From a budgetary perspective, the spending from this appropriation is not the result of an unforeseen event of short duration, but rather from the expected operations of a Federal grant program. The Committee clearly uses this emergency designation to exceed its allocation, and thus boost spending above the \$768.089 billion in total 2003 discretionary budget authority

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spending recommended by Senate leaders. In fact, the sum total of the emergency spending reported by the Senate Appropriations Committee in its 13 bills increases spending

by a total of \$2.2 billion in budget authority, raising the effective allocation to that Committee to \$770.289 billion for fiscal year 2003.

Table 2: Labor, Health and Human Services and Education Appropriations Bill
Impact of Increased Advanced Appropriations on Total Spending
(millions of dollars)

	Bush 2003 BA	Senate 2003 BA	Difference
Discretionary BA for fiscal year 2003	\$130,889	\$134,432	\$3,543
Minus Advance Appropriations provided in 2002 for fiscal year 2003	-19,239	-19,239	0
Plus Advance Appropriations provided in 2003 for fiscal year 2004	+19,254	+21,498	+2,244
Total Spending	\$130,904	\$136,691	\$5,787

AGENCY PROGRAM ANALYSIS

Here is a breakdown by agency of the Senate's committee-reported Labor-HHS bill.

Labor

The bill is \$639 million more than the President's request:

- Employment, Training, and Administration [ETA] receives a \$486 million increase. If the Senate's level is adopted, this program will have increased by an average of 12.9 percent a year over the past 3 years.
- The bill increases ETA by \$657 million over the President's proposal and reduces the Unemployment Trust fund by \$181 million.
- Senate adds funds for ETA to keep funding above fiscal year 2002 level. The CBO cost estimate confirms that the Senate bill adds money that cannot be used in the current year: hence, while budget authority increases, CBO actually reduces outlays \$97 million below the President's request.

Health and Human Services

The Senate bill provides \$2.272 billion more BA than the President's request:

- The Health Resources and Services Administration receives \$810 million more. This account is often used for congressional earmarks.

- The Centers for Disease Control receive \$620 million more than the President's request, largely due to an increase in Disease Control, Research, and Training. This program is often used for congressional earmarks.
- The Administration for Families and Children receives \$570 million more than the President's request largely due to: 1) an increase in Low Income Home Energy Assistance Program [LIHEAP] of \$300 million (designated as an emergency requirement); 2) an increase in Head Start of \$355 million; and 3) reductions in discretionary funding for foster care and adoption assistance (\$60 million) and promoting safe and stable families (\$25 million).
- The Agency for Health Care Research and Quality receives \$203 million more than the President's request.

Education

The Senate proposal is \$608 million more than the President's request:

- Elementary and Secondary Education receives a net of \$1.036 billion more than the President's request. This results from an increase in the School Improvement and Impact Aid programs of \$1.578 billion – an increase that itself is largely due to the Fund for the Improvement of Education, an account often used for congressional earmarks. That increase is partly offset by a \$542-million reduction in the President's Education

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for the Disadvantaged proposal. The Senate report states its bill provides an additional \$702 million for Disadvantaged Education; but this is only by including the \$1.244-billion fiscal year 2004 advance appropriation to offset the fiscal year 2003 reduction.

- Special Education and related programs are \$1.022 billion below the President’s proposal. This results principally from a \$992-million reduction in the President’s fiscal year 2003 Special Education proposal. The Senate report states that it provided \$8 million more than the President; but again, this is accomplished only by including the fiscal year 2004 advance appropriation of \$1 billion to offset the fiscal year 2003 reduction.

- Student Financial Assistance is increased by \$360 million, largely in the Pell Grant program. The Senate would mandate an increase in the Pell Grant award from \$4,000 to \$4,100, rather than providing the President the requested flexibility to determine the grant award based on available funding and number of recipients. As a result there is concern that the Senate did not provide enough funding to cover its grant award increase, creating pressure for a supplemental appropriation next year.
- Post Secondary Education receives a \$106-million increase due in part to an increase for the Fund for the Improvement of Post Secondary Education, an account chiefly used for congressional earmarks.

CONCLUSION

The bill reported by the Senate Labor-HHS Subcommittee spends beyond the amounts recommended by the Senate Appropriations Committee (see *Congressional Record* for 26 July 2002, p. S7417) through two mechanisms:

- Increasing advance appropriations for fiscal year 2004 by \$2.244 billion.
- Misusing the emergency designation in the amount of \$300 million.

The bill also adds funds above the President’s request for programs commonly used by the Conference Committee for congressional earmarks. The use of gimmicks and other

tactics leaves the bill \$5.787 billion in BA above the President’s request. If adopted as proposed by the Senate in its reported bills (the 13 regular appropriations bills for fiscal year 2003), these measures would result in a discretionary spending increase \$14.840 billion larger than proposed by the President. Over the next 10 years, this increase would raise baseline spending by \$225 billion.

The Senate Committee on Appropriations claims that its proposed spending is “only” \$9 billion more than the President and the House budget. But the bills the committee has reported – including its Labor-HHS appropriations bill for fiscal year 2003 – show that the costs are significantly higher than advertised.

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